Deutsche 2018 Utilities, Power & Clean Tech Conference

New York City, NY
May 15, 2018
“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: economic growth or contraction within and changes in market demand and demographic patterns in AEP service territories, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability or cost of capital to finance new capital projects and refinance existing debt, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, electric load and customer growth, weather conditions, including storms and drought conditions, and the ability to recover significant storm restoration costs, the cost of fuel and its transportation, the creditworthiness and performance of fuel suppliers and transporters and the cost of storing and disposing of used fuel, including coal ash and spent nuclear fuel, availability of necessary generation capacity, the performance of generation plants and the availability of fuel, including processed nuclear fuel, parts and service from reliable vendors, the ability to recover fuel and other energy costs through regulated or competitive electric rates, the ability to build renewable generation, transmission lines and facilities (including the ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs, new legislation, litigation and government regulation, including oversight of nuclear generation, energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances that could impact the continued operation, cost recovery and/or profitability of generation plants and related assets, evolving public perception of the risks associated with fuels used before, during and after the generation of electricity, including nuclear fuel, timing and resolution of pending and future rate cases, negotiations and other regulatory decisions, including rate or other recovery of new investments in generation, distribution and transmission service, environmental compliance and excess accumulated deferred income taxes, resolution of litigation, the ability to constrain operation and maintenance costs, prices and demand for power generated and sold at wholesale, changes in technology, particularly with respect to energy storage and new, developing, alternative or distributed sources of generation, the ability to recover through rates any remaining unrecovered investment in generation units that may be retired before the end of their previously projected useful lives, volatility and changes in markets for capacity and electricity, coal and other energy-related commodities, particularly changes in the price of natural gas, changes in utility regulation and the allocation of costs within regional transmission organizations, including ERCOT, PJM and SPP, changes in the creditworthiness of the counterparties with contractual arrangements, including participants in the energy trading market, actions of rating agencies, including changes in the ratings of debt, the impact of volatility in the capital markets on the value of the investments held by the pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact of such volatility on future funding requirements, accounting pronouncements periodically issued by accounting standard-setting bodies, impact of federal tax reform on customer rates, income tax expense and cash flows, and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events.

INVESTOR RELATIONS

Bette Jo Rozsa
Managing Director
Investor Relations
614-716-2840
bjrozza@aep.com

Darcy Reese
Director
Investor Relations
614-716-2614
dlreese@aep.com
Note: Statistics as of December 31, 2017 except for market capitalization which is as of May 10, 2018
OUR STRATEGIC TRANSFORMATION

Last 5 Years

- Ohio Generation Separation
- River Ops Sale
- Merchant Plant Sale
- Own Regulated Renewables
- Contracted Renewables
- Transforming the Culture

Vision 2022

- Transform Our Customer Experience
- Relentless O&M Optimization
- New Regulatory Paradigm
- Continued Transmission Investment
- Wind Catcher & Other Renewables Projects
- Growth of Contracted Renewables
- Grid Modernization, Smart City & Technologies
- Digitization & Innovation
- Workforce of the Future

Energy Company of the Future

Actions taken today and in the future will reward our employees, customers and shareholders
AEP GOING FORWARD

| Well positioned as a regulated business | Earnings growth rate 5-7% | Growing dividend consistent with earnings | Renewable energy future |

**No Longer a Focus:**

- Energy and Capacity Pricing
- Ohio Restructuring
- Resolution of Competitive Generation
- Central Station Construction Projects
ORGANIC INVESTMENT OPPORTUNITY EQUALS INCREASED GROWTH

$3.55 - $3.75
Actual $3.68

$3.75 - $3.95

$4.00 - $4.20

5-7% CAGR
STRONG, CONSISTENT DIVIDEND GROWTH

EPS Growth + Dividend Yield = 10% to 12% Annual Return Opportunity

* Subject to Board approval
POSITIONING FOR THE FUTURE

CAPITAL INVESTMENT OPPORTUNITIES
CAPITAL FORECAST

$17.7B Cap-ex: 2018 - 2020

- AEP Transmission Holdco: $4.4B, 25%
- Transmission: $4.0B, 22%
- Distribution: $4.4B, 25%
- Corporate: $1.4B, 8%
- Nuclear Generation: $0.5B, 3%
- Regulated Fossil/Hydro Generation: $0.7B, 4%
- Regulated Environmental Generation: $0.6B, 3%
- Contracted Renewables: $1.2B, 7%
- Regulated Renewables: $0.5B, 3%

72% allocated to wires

100% of capital allocated to regulated businesses and contracted renewables

Updated 01/25/18
### CAPITAL FORECAST
2018 - 2020 BY SUBSIDIARY

<table>
<thead>
<tr>
<th>$ in millions (excluding AFUDC)</th>
<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appalachian Power Company</td>
<td>$724</td>
<td>$1,090</td>
<td>$681</td>
<td>$2,494</td>
</tr>
<tr>
<td>Wheeling Power Company</td>
<td>$39</td>
<td>$46</td>
<td>$58</td>
<td>$144</td>
</tr>
<tr>
<td>Kingsport Power Company</td>
<td>$20</td>
<td>$17</td>
<td>$17</td>
<td>$54</td>
</tr>
<tr>
<td>Indiana Michigan Power Company</td>
<td>$567</td>
<td>$644</td>
<td>$544</td>
<td>$1,755</td>
</tr>
<tr>
<td>Kentucky Power Company</td>
<td>$162</td>
<td>$168</td>
<td>$203</td>
<td>$533</td>
</tr>
<tr>
<td>Ohio Power Company</td>
<td>$598</td>
<td>$581</td>
<td>$497</td>
<td>$1,676</td>
</tr>
<tr>
<td>Public Service Company of Oklahoma</td>
<td>$249</td>
<td>$273</td>
<td>$377</td>
<td>$899</td>
</tr>
<tr>
<td>Southwestern Electric Power Company</td>
<td>$418</td>
<td>$394</td>
<td>$435</td>
<td>$1,247</td>
</tr>
<tr>
<td>AEP Texas Company</td>
<td>$1,187</td>
<td>$1,018</td>
<td>$867</td>
<td>$3,072</td>
</tr>
<tr>
<td>AEP Generating Company</td>
<td>$29</td>
<td>$69</td>
<td>$40</td>
<td>$138</td>
</tr>
<tr>
<td>AEP Transmission Holdco</td>
<td>$1,514</td>
<td>$1,544</td>
<td>$1,301</td>
<td>$4,359</td>
</tr>
<tr>
<td>Generation and Marketing</td>
<td>$416</td>
<td>$354</td>
<td>$469</td>
<td>$1,238</td>
</tr>
<tr>
<td>Other</td>
<td>$36</td>
<td>$17</td>
<td>$36</td>
<td>$88</td>
</tr>
<tr>
<td><strong>Total Capital and Equity</strong></td>
<td><strong>$5,959</strong></td>
<td><strong>$6,214</strong></td>
<td><strong>$5,525</strong></td>
<td><strong>$17,698</strong></td>
</tr>
</tbody>
</table>

Updated 01/25/18. Capital plans are continuously optimized which may result in redeployment between functions and companies. Table may not foot due to rounding.
### AEP Consolidated Cash Flows and Financial Metrics

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash from Operations</strong></td>
<td>$4,400</td>
<td>$4,400</td>
<td>$4,800</td>
</tr>
<tr>
<td><strong>Capital &amp; JV Equity Contributions</strong></td>
<td>$(6,000)</td>
<td>$(6,200)</td>
<td>$(5,500)</td>
</tr>
<tr>
<td><strong>Other Investing Activities</strong></td>
<td>$(200)</td>
<td>$(100)</td>
<td>$(200)</td>
</tr>
<tr>
<td><strong>Common Dividends</strong></td>
<td>$(1,200)</td>
<td>$(1,200)</td>
<td>$(1,200)</td>
</tr>
<tr>
<td><strong>Excess (Required) Capital</strong></td>
<td>$(3,000)</td>
<td>$(3,100)</td>
<td>$(2,100)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Financing</strong></th>
<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excess (Required) Capital</strong></td>
<td>$(3,000)</td>
<td>$(3,100)</td>
<td>$(2,100)</td>
</tr>
<tr>
<td><strong>Debt Maturities (Senior Notes, PCRBs)</strong></td>
<td>$(1,500)</td>
<td>$(2,000)</td>
<td>$(400)</td>
</tr>
<tr>
<td><strong>Securitization Amortizations</strong></td>
<td>$(300)</td>
<td>$(300)</td>
<td>$(200)</td>
</tr>
<tr>
<td><strong>Equity Issuances - Includes DRP/401(k)</strong></td>
<td>100</td>
<td>100</td>
<td>500</td>
</tr>
<tr>
<td><strong>Debt Capital Market Needs (New)</strong></td>
<td>$(4,700)</td>
<td>$(5,300)</td>
<td>$(2,200)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Financial Metrics</strong></th>
<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debt to Capitalization (GAAP)</strong></td>
<td>Less than 60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FFO/Total Debt (Moody's)</strong></td>
<td>Mid Teens</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Updated 01/25/18. Actual cash flows will vary by company and jurisdiction based on regulatory outcomes.

Anticipated cash flows maintain credit ratings.
## ROBUST ORGANIC CAPITAL OPPORTUNITIES

<table>
<thead>
<tr>
<th>Transmission</th>
<th>Grid modernization, aging infrastructure, physical/cyber security, reliability, market efficiency and economic development projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>Grid modernization, reliability improvement projects and distribution station refurbishment</td>
</tr>
<tr>
<td>Renewables</td>
<td>Wind Catcher, regulated renewables, contracted renewables</td>
</tr>
<tr>
<td>Technology</td>
<td>Digitization, automation, cyber security, enterprise-wide applications</td>
</tr>
</tbody>
</table>
INVESTING IN TRANSMISSION
AEP TRANSMISSION HOLDCO LEGAL ENTITY STRUCTURE

AEP Transmission Company, LLC (AEP Transco) is wholly-owned by AEP Transmission Holding Company, LLC (AEP Trans Holdco).
AEP Trans Holdco is a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), one of the largest utility holding companies in the U.S.

Net Plant totals are as of March 31, 2018.

Fully operational
Regulatory Approval Required
Joint Venture

American Electric Power Company, Inc. (AEP)
AEP Transmission Holding Co. LLC. (AEP Trans Holdco)
AEP Transmission Company, LLC. (AEP Transco)

AEP Indiana Michigan Transmission Co., Inc.
AEP Appalachian Transmission Company, Inc.
AEP Kentuckky Transmission Co., Inc.
AEP Southwestern Transmission Company, Inc.
AEP Ohio Transmission Co., Inc.
AEP Oklahoma Transmission Co., Inc.
AEP West Virginia Transmission Co., Inc.

Pioneer Transmission, LLC
$167M Net Plant

Electric Transmission America, LLC

Electric Energy, LLC

Transource Missouri, LLC

Transource Missouri, LLC

Transource West Virginia, LLC

Transource Maryland, LLC

Transource Pennsylvania, LLC

$1,844M Net Plant

$98M Net Plant

$2,929M Net Plant

$949M Net Plant

$1,071M Net Plant

$2,915M Net Plant

$331M Net Plant
The nation’s largest transmission services provider is focused on delivering its $3 billion annual capital plan to improve grid resiliency and customer reliability while meeting earnings growth targets through diversified investments.
AEPTHC TARGET EARNINGS

Significant Investment
- Over $13B projected by 2020 (AEP Transcos and our ownership percentage of JV Capital expenditures)

Healthy ROEs & Capital Structure
- Affiliate authorized ROEs ranging from 9.6% to 12.8%
- Authorized capital structure 40-60% equity

Portfolio Diversification
- Five Transcos and ETT are projected to contribute 95% of total 2018 earnings (81% and 14% respectively)

Industry & Technology Leader
- Bringing innovation and collaboration to the industry through Grid Assurance, BOLD and Asset Health

AEPTHC EPS contribution grows from $0.16 in 2013 to $1.01-$1.04 in 2020

AEPTHC’s EPS growth is projected at a CAGR of 30%

Updated 05/10/18

* Capital investment excludes Transource unapproved projects, JV equity contributions, BOLD and Grid Assurance.
** In addition to forward looking rates, 2017 includes a historical true up for East Transcos. Having both in one year is a one time occurrence.
APPARENTLY $3 BILLION OF TRANSMISSION INVESTMENT ANNUALLY

As the foundation of the power system, transmission integrates generation and loads across large regional footprints.

Key Grid Considerations
- Increasing energy supply diversity and complexity
- Tighter operating tolerances
- Deteriorating performance and condition of aging assets with increased risk of failure
- Increasing exposure to severe threats and events

Major Benefits Delivered
- Decrease customer exposure to Transmission outages
- Improve response time following outage events
- Enhance system operability
- Provide a secure and resilient grid
ROBUST TRANSMISSION CAPITAL EXPENDITURE OPPORTUNITIES

<table>
<thead>
<tr>
<th>Transmission</th>
<th>Line Miles</th>
<th>Transformers</th>
<th>Circuit Breakers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy (years)</td>
<td>70</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Current Quantity over Life Expectancy</td>
<td>6,403</td>
<td>244</td>
<td>1,015</td>
</tr>
<tr>
<td>Quantity that will exceed Life Expectancy in next ten years</td>
<td>6,214</td>
<td>126</td>
<td>836</td>
</tr>
<tr>
<td>Total Renewal Opportunity over ten years</td>
<td>12,617</td>
<td>370</td>
<td>1,851</td>
</tr>
</tbody>
</table>

$2.5 billion of annual on-system, organic capital investment is required to maintain current asset age profile
INVESTING IN DISTRIBUTION
ROBUST DISTRIBUTION CAPITAL EXPENDITURE OPPORTUNITIES

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Station Transformers</th>
<th>Circuit Breakers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy (years)</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Current Quantity over Life Expectancy</td>
<td>945</td>
<td>888</td>
</tr>
<tr>
<td>Quantity that will exceed Life Expectancy in next ten years</td>
<td>469</td>
<td>1,172</td>
</tr>
<tr>
<td>Total Renewal Opportunity over ten years</td>
<td>1,414</td>
<td>2,060</td>
</tr>
</tbody>
</table>

- **Grid Modernization**
  - Distribution SCADA
  - Smart Circuits

- **Reliability Improvement Projects**
  - Pole replacement and reconductoring program
  - Increase capacity to facilitate ties for smart circuits

- **Distribution Station Refurbishment**
  - Station breaker replacements
  - Distribution station transformers

- Represents ~$500M/year of incremental investment opportunity
INVESTING IN RENEWABLES
Project is expected to reduce rates for PSO & SWEPCO customers over the life of the project – with savings starting first year of operation – while providing meaningful capital investment and earnings growth opportunity for shareholders

- **Project Scope:** 2,000 MW (nameplate) wind farm and a dedicated ~350-mile 765kV gen-tie line
- **Regulated Investment Value:** ~$4.5 billion (includes taxes, overheads, AFUDC, and contingency)
- **Total Customer Savings (over 25-years):** $6.5 billion including value of Federal Production Tax Credit: $1.8 billion over first 10 years
- **Target Completion:** Q4 2020
- **Proposed Ownership:** SWEPCO (70%) & PSO (30%)

<table>
<thead>
<tr>
<th>Cost Detail</th>
<th>Wind Plant</th>
<th>Gen-Tie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Suppliers</td>
<td>Invenergy</td>
<td>Quanta Services</td>
</tr>
<tr>
<td>Estimated Cost</td>
<td>$2.9 billion</td>
<td>$1.6 billion</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$4.5 billion</strong></td>
<td></td>
</tr>
</tbody>
</table>
PIPELINE OF RENEWABLE OPPORTUNITIES
Regulated Owned Investment Pipeline

East Companies – 460 MW
West Companies – 910 MW

East Companies – 2,200 MW
Wind Catcher – 2,000 MW

5,570 MW through 2025

Note: As of April 2018 and excludes PPAs
# Contracted Renewables

$1.2B Capital Allocated 2018-2020

<table>
<thead>
<tr>
<th><strong>Renewable Generation Asset Owner</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>“Behind-the-Meter” Energy Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Universal Scale Energy Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key Customers</strong></td>
<td><strong>Schools, Cities, Hospitals and Commercial / Industrial Accounts</strong></td>
<td><strong>Utilities, Municipalities, Corporations and Cooperative Accounts</strong></td>
</tr>
<tr>
<td><strong>Key Technologies</strong></td>
<td><strong>Distributed Generation, Renewables, Storage, Substations and Combined Heat and Power</strong></td>
<td><strong>Wind and Solar</strong></td>
</tr>
</tbody>
</table>
CONTRACTED RENEWABLES OUTLOOK

AEP IS A WELCOMED STRATEGIC PARTNER AND HAS A STRONG PIPELINE OF ADDITIONAL OPPORTUNITIES

DEVELOPMENT PROJECTS

• Fully contracted assets
• Strong credit counterparties
• Long-term predictable cash flows and earnings
• Repowering of 310 MW of Trent and Desert Sky wind farms

DISCIPLINED INVESTMENT

• Specific return requirements
• Detailed technical reviews
• Measured approach to project risks
• Optimized through skilled asset management
POSITIONING FOR THE FUTURE

FINANCIAL INFORMATION
9.1% CAGR IN RATE BASE
CUMULATIVE CHANGE FROM 2016 BASE

2016 Rate Base Proxy
Vertically Integrated Utilities $22.7B
T&D Utilities $8.6B
Transcos/Transource $4.2B
Total $35.5B

Vertically Integrated Utilities
T&D Utilities
Transcos/Transource
Total

2017A
$2.9B
$1.5
$1.1
$0.3

2018E
$7.1B
$2.7
$2.2
$2.2

2019E
$11.4B
$4.2
$3.4
$3.8

2020E
$14.8B
$5.0
$4.5
$5.3

Updated 01/25/18
Regulated Operations ROE of 9.5%  
* AEP Ohio adjusted for SEET items. Base rate cases pending/order recently received at other operating companies.  
Sphere size based on each company’s relative equity balance
**CAPITALIZATION AND LIQUIDITY**

**Total Debt / Total Capitalization**

- 2013: 54.3%
- 2014: 54.3%
- 2015: 53.2%
- 2016: 55.9%
- 2017: 55.5%
- Q1-18: 56.6%

**Credit Statistics**

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFO to Total Debt</td>
<td>18.2%</td>
<td>Mid Teens</td>
</tr>
</tbody>
</table>

*Represents the trailing 12 months as of 3/31/2018. See Appendix for reconciliation to GAAP.*

**Liquidity Summary**

<table>
<thead>
<tr>
<th>(unaudited)</th>
<th>3/31/2018 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ in millions)</td>
<td>Amount</td>
</tr>
<tr>
<td>Revolving Credit Facility</td>
<td>$3,000</td>
</tr>
<tr>
<td>Plus</td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>183</td>
</tr>
<tr>
<td>Less</td>
<td></td>
</tr>
<tr>
<td>Commercial Paper Outstanding</td>
<td>(1,886)</td>
</tr>
<tr>
<td>Letters of Credit Issued</td>
<td>-</td>
</tr>
<tr>
<td>Net Available Liquidity</td>
<td>$1,297</td>
</tr>
</tbody>
</table>

**Qualified Pension Funding**

- 2013: 99%
- 2014: 97%
- 2015: 97%
- 2016: 96%
- 2017: 101%
- Q1-18: 102%

**Strong balance sheet, credit metrics and liquidity**
AEP AND TAX REFORM SUMMARY

Regulatory Actions
All jurisdictions have opened dockets to defer savings as a regulatory liability and address tax benefit impacts.

Options for tax benefits:
- Decrease rates
- Increase amortization of regulatory assets
- Accelerate depreciation
- Offset other rate increases

Change in Tax Rate from 35% to 21%
- Indiana, Kentucky, Oklahoma and East FERC Transmission have recent rate orders/settlements passing savings to customers.
- All other jurisdictions are working with regulators to address savings in future rate proceedings using various strategies noted above.

Unprotected Excess ADFIT
- Indiana and East FERC Transmission have recent settlements resolving unprotected portion of excess.
- All other jurisdictions are working with regulators to address savings in future rate proceedings using various strategies noted above.

Normalized portion of excess ADFIT refunded over life of property, over average life of 25 years (40 years for transmission).

Recap of Excess Deferred Taxes

<table>
<thead>
<tr>
<th>As of March 31, 2018 ($ in billions)</th>
<th>21% Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Regulated Deferred FIT</td>
<td>$11.1</td>
</tr>
<tr>
<td>Total Excess Regulated Deferred FIT</td>
<td>$4.4</td>
</tr>
<tr>
<td>Normalized Portion of Excess DFIT</td>
<td>($3.4)</td>
</tr>
<tr>
<td>Unprotected Portion of Excess</td>
<td>$1.0</td>
</tr>
</tbody>
</table>

Other Tax Implications
- Interest on parent debt expected to be mostly tax deductible.
- No significant NOL going into 2018.
- Generation & Marketing flows to bottom line, but minor.
## AEP AND TAX REFORM BY JURISDICTION

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Change in Tax Rate</th>
<th>Excess ADFIT(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP Ohio</td>
<td>Address in true-up filing (DIR)</td>
<td>Address in later filing</td>
</tr>
<tr>
<td>AEP Texas</td>
<td>Addressed in March and April 2018 interim rate filings</td>
<td>Address in later filing</td>
</tr>
<tr>
<td>APCo-Virginia</td>
<td>Pass on savings starting mid-2018 pursuant to legislation</td>
<td>Address in later filing</td>
</tr>
<tr>
<td>APCo-West Virginia</td>
<td>Addressed in May 2018 tax filing</td>
<td>Addressed in April 2018 ENEC filing</td>
</tr>
<tr>
<td>I&amp;M-Indiana</td>
<td>✓ Settlement to pass on savings</td>
<td>✓ Settlement to offset change in depreciation of Rockport Unit 1</td>
</tr>
<tr>
<td>I&amp;M-Michigan</td>
<td>Addressed in May 2018 tax filing</td>
<td>Address in later filing</td>
</tr>
<tr>
<td>Kingsport</td>
<td>Addressed in March 2018 tax filing</td>
<td>Addressed in March 2018 tax filing</td>
</tr>
<tr>
<td>KPCo</td>
<td>✓ Order to pass on savings</td>
<td>Addressed in April 2018 tax filing</td>
</tr>
<tr>
<td>PSO</td>
<td>✓ Order to pass on savings</td>
<td>Addressed in April 2018 tax filing</td>
</tr>
<tr>
<td>SWEPCO-Arkansas</td>
<td>Addressed in April 2018 tax filing</td>
<td>Addressed in April 2018 tax filing</td>
</tr>
<tr>
<td>SWEPCO-Louisiana</td>
<td>Addressed in April 2018 formula rate true-up filing</td>
<td>Address in later filing</td>
</tr>
<tr>
<td>SWEPCO-Texas</td>
<td>Addressed in April 2018 tax filing</td>
<td>Address in later filing</td>
</tr>
<tr>
<td>East FERC Transmission</td>
<td>✓ Settlement to pass on savings</td>
<td>✓ Settlement to amortize over 10 years</td>
</tr>
<tr>
<td>West FERC Transmission</td>
<td>Address in later filing</td>
<td>Address in later filing</td>
</tr>
</tbody>
</table>

\(^1\) All jurisdictions have opened dockets to defer savings as a regulatory liability and address tax benefit impacts

\(^2\) Normalized portion of excess ADFIT refunded over life of property, over average life of 25 years (40 years for transmission)
NORMALIZED LOAD TRENDS

AEP Residential Normalized GWh Sales
% Change vs. Prior Year

-1.7%  -1.5%  -1.4%  0.2%  1.4%  0.3%
Q1-17  Q2-17  Q3-17  Q4-17  Q1-18  2018E

AEP Commercial Normalized GWh Sales
% Change vs. Prior Year

-0.01%  -0.7%  -1.3%  -1.2%  0.5%  0.4%
Q1-17  Q2-17  Q3-17  Q4-17  Q1-18  2018E

AEP Industrial GWh Sales
% Change vs. Prior Year

-0.3%  4.0%  1.9%  5.6%  2.5%  0.0%
Q1-17  Q2-17  Q3-17  Q4-17  Q1-18  2018E

AEP Total Normalized GWh Sales
% Change vs. Prior Year

-0.8%  -0.3%  1.6%  1.5%  0.2%
Q1-17  Q2-17  Q3-17  Q4-17  Q1-18  2018E
CONTINUOUS IMPROVEMENT ENABLES O&M DISCIPLINE

Demonstrated track record of ability to offset inflationary increases

Note: Excluding items recovered in riders/trackers
# BENDING THE O&M CURVE

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Lean Management System Implementation/Continuous Process Improvement | • **Distribution** – Drive enhanced reliability which will lead to reduced O&M cost associated with storm restoration in the long term  
• **Supply Chain** – Optimizing the material requisition process to improve material lead times, reducing stock outs and increasing crew productivity resulting in reduced O&M cost  
• **Fleet Operations** – Focused on reducing the number of vehicle platforms/options acquired and optimizing the acquisition process to reduce acquisition and maintenance costs  
• **Generation (system productivity)** – Fleet wide team-based focus on the reduction of waste associated with targeted plant systems, e.g. coal handling, scrubbers |
| Data Analytics                                               | • **Workforce optimization** – Employee/contractor mix  
• **Hot socket model** – Using AMI data to preemptively identify meters at risk  
• **Revenue Protection** – Detecting meter tampering  
• **Frequency Regulation** – Analysis of PJM bidding strategies |
| Automation                                                    | • **Scrap metal billing and management**  
• **Service Corp billing allocation factors**  
• **No-bill workflow assignment process**  
• **Customer workflow scheduling** |
| Digital Tools                                                 | • **“The Zone”** – Machine learning tool to operate fossil units at optimal level to minimize O&M and capital, while maintaining and improving performance  
• **Generation Monitoring and Diagnostic Center** – Predictive capabilities that save O&M and capital |
| Use of Drones                                                 | • **Storm damage assessment**  
• **Real estate and land surveys**  
• **Transmission facility inspections, construction monitoring and documentation**  
• **Telecommunication tower inspections**  
• **Cooling tower and boiler inspections** |
| Outsourcing                                                   | • **Rapid application & information support**  
• **Lockbox for customer payments by check** |
| Workforce Planning                                           | • Approximately 4,000 employees will retire or leave in the next 5 years |
| Strategic Sourcing                                           | • **Reducing cost through Procurement Category Management** – Continuing to mature our Category Management program and aggressively using strategic sourcing opportunities to optimize the value AEP receives from the $6B spent annually on goods and services |
# AEP CREDIT RATINGS

<table>
<thead>
<tr>
<th>Company</th>
<th>Moody’s</th>
<th>S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>Outlook</td>
</tr>
<tr>
<td>American Electric Power Company, Inc.</td>
<td>Baa1</td>
<td>S</td>
</tr>
<tr>
<td>AEP, Inc. Short Term Rating</td>
<td>P2</td>
<td>S</td>
</tr>
<tr>
<td>AEP Texas, Inc.</td>
<td>Baa1</td>
<td>S</td>
</tr>
<tr>
<td>AEP Transmission Company, LLC</td>
<td>A2</td>
<td>S</td>
</tr>
<tr>
<td>Appalachian Power Company</td>
<td>Baa1</td>
<td>S</td>
</tr>
<tr>
<td>Indiana Michigan Power Company</td>
<td>A3</td>
<td>S</td>
</tr>
<tr>
<td>Kentucky Power Company</td>
<td>Baa2</td>
<td>N</td>
</tr>
<tr>
<td>Ohio Power Company</td>
<td>A2</td>
<td>S</td>
</tr>
<tr>
<td>Public Service Company of Oklahoma</td>
<td>A3</td>
<td>N</td>
</tr>
<tr>
<td>Southwestern Electric Power Company</td>
<td>Baa2</td>
<td>S</td>
</tr>
<tr>
<td>Transource Energy</td>
<td>A2</td>
<td>S</td>
</tr>
</tbody>
</table>

Credit ratings current as of May 10, 2018
## RECENT RATE CASE ACTIVITY

<table>
<thead>
<tr>
<th>Company</th>
<th>State</th>
<th>Gross Revenue Increase</th>
<th>Less Tax Reform</th>
<th>Net Revenue Increase</th>
<th>Approved ROE</th>
<th>Settlement Agreement Filed</th>
<th>Anticipated Effective Date</th>
<th>Revenue Increases Include</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I&amp;M – Indiana</strong></td>
<td>Indiana</td>
<td>$182M</td>
<td>$85M</td>
<td>$97M</td>
<td>9.95%</td>
<td>02/14/2018 (Awaiting Order)</td>
<td>07/01/2018</td>
<td>riders/offsets of $4 million and $24 million for KPCo and PSO, respectively</td>
</tr>
<tr>
<td><strong>PSO – Oklahoma</strong></td>
<td>Oklahoma</td>
<td>$108M</td>
<td>$32M</td>
<td>$76M</td>
<td>9.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SWEPCO – Texas</strong></td>
<td>Texas</td>
<td>$50M</td>
<td></td>
<td></td>
<td>9.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>I&amp;M – Michigan</strong></td>
<td>Michigan</td>
<td>$50M</td>
<td></td>
<td></td>
<td>9.9%</td>
<td>04/26/2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>KPCo – Kentucky</strong></td>
<td>Kentucky</td>
<td>$30M</td>
<td>$14M</td>
<td>$16M</td>
<td>9.7%</td>
<td>01/19/2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>APCo – West Virginia</strong></td>
<td>West Virginia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>05/09/2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**APCo – West Virginia**
- Base Rate Case Filing Date: 05/09/2018
- Requested Rate Base: $4.1B
- Requested ROE: 10.22%
- Cap Structure: 49.84%D / 50.16%E
- Gross Revenue Increase: $114.6M (Less $9.7M Excess ADIT; $32.1M Depreciation)
- Test Year: 12/31/2017

**Notes:**
1. Revenue increases include riders/offsets of $4 million and $24 million for KPCo and PSO, respectively.
2. Tax reform is not included in the recent I&M-Michigan or SWEPCO-Texas base rate cases but will be addressed in later filings.
## WIND CATCHER ENERGY CONNECTION
### Procedural Schedules

**PSO – Oklahoma**
- ALJ Report Filed: 02/12/2018
- Exceptions Filed: 02/23/2018
- Response to Exceptions: 02/28/2018
- Settlement with Walmart Filed: 03/09/2018
- Settlement with OIEC and Walmart Filed: 04/24/2018
- Next Step: Awaiting Commission Order

**SWEPCO – Arkansas**
- Settlement Agreement Filed: 02/20/2018
- Settlement Hearing: 03/01/2018
- Commission Order: 05/08/2018

**SWEPCO – Louisiana**
- Settlement Agreement Signed: 04/12/2018
- Settlement and Testimony Filed: 04/20/2018
- Settlement Hearing: 04/30/2018
- Next Step: Awaiting Settlement Order

FERC filing with respect to wholesale customers: 1Q 2018.
Anticipate FERC Decision 2Q 2018.
SUSTAINABLE FUTURE
TRANSFORMING OUR GENERATION FLEET

As of March 31, 2018 and excludes impact of Wind Catcher.
Future includes IRP forecasted additions and retirements through 2030.
Energy Efficiency / Demand Response represents avoided capacity rather than physical assets.
INVESTING BILLIONS TO REDUCE EMISSIONS

$ in millions

$102  $275  $364  $217  $340  $811  $1,366  $994  $887  $457  $304  $187  $241  $424  $540  $599  $384  $136  $151


Total $8.8 Billion
Estimated
DRAMATIC REDUCTIONS IN EMISSIONS

Total AEP System NOx & SO2 Emissions

SO2

NOx

Hg

1990-2017
ACTUAL

SO2
95%

NOx
92%

Hg
95%

1990-2017
ACTUAL

Total AEP System Mercury Emissions
DRAMATIC REDUCTIONS IN EMISSIONS

Total AEP System - Annual CO₂ Emissions

in million metric tons

2000-2017 Actual

CO₂ 57%
INVESTING IN A GREENER FUTURE

AEP System Planned Generation Resource Additions
Regulated and AEP Ohio Purchase Power Agreement

Wind and solar represents nameplate MW capacity.


Actual additions depend on market conditions, regulatory approval, customer demand and other external factors.
## Delivering Clean Energy Resources

**AEP's March 31, 2018 Renewable Portfolio, in MW**

<table>
<thead>
<tr>
<th>Hydro, Wind, Solar &amp; Pumped Storage</th>
<th>Owned MW</th>
<th>PPA MW</th>
<th>Total MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP Ohio</td>
<td>209</td>
<td></td>
<td>209</td>
</tr>
<tr>
<td>Appalachian Power Company</td>
<td>816</td>
<td>575</td>
<td>1,391</td>
</tr>
<tr>
<td>Indiana Michigan Power Company</td>
<td>36</td>
<td>450</td>
<td>486</td>
</tr>
<tr>
<td>Public Service of Oklahoma</td>
<td>1,137</td>
<td></td>
<td>1,137</td>
</tr>
<tr>
<td>Southwestern Electric Power Company</td>
<td>469</td>
<td></td>
<td>469</td>
</tr>
<tr>
<td>Competitive Wind, Solar &amp; Hydro</td>
<td>443</td>
<td>175</td>
<td>618</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,295</strong></td>
<td><strong>3,015</strong></td>
<td><strong>4,310</strong></td>
</tr>
</tbody>
</table>

Approximately 11,900 MW of renewable generation interconnected across the U.S. via AEP's transmission system today.
The Premier Regulated Energy Company

- **Higher growth**
- **Higher dividends**
- **More regulated**
- **More certainty**